



**Communication on Progress report (2011-2012)  
for the UN Global Compact**

**by: Asia Pacific Resources International Limited (APRIL)**

**Submitted: 21 Dec 2012**



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18 December, 2012

H.E. Ban Ki-moon  
Secretary-General  
United Nations  
New York, NY 10017.

Dear Mr. Secretary General,

On behalf of Asia Pacific Resources International Limited (APRIL), I am pleased to reaffirm our commitment to and continued support for the Global Compact and each of its principles. APRIL has been a member of the Global Compact since 2007.

APRIL releases its Sustainability Report bi-annually. Our most recent report covers the period 2009 – 2010. Our next detailed formal report providing updated data and other information on our sustainability practices, new initiatives and challenges is scheduled for publication in 2013 covering the most recent period of 2011 – 2012.

The document we have submitted for 2012 is therefore an interim update but nonetheless provides important affirmation of our commitment to the 10 key principles under the UNGC covering Human Rights, Labour Principles, Environmental Principles and Anti-Corruption Principles.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Bey Soo Kiang". The signature is stylized with a large loop at the beginning and a horizontal line extending to the right.

Bey Soo Kiang  
Chairman  
APRIL Supervisory Board

## Introduction

APRIL is committed to managing the triple bottom line of People, Planet and Profit in a comprehensive and sustained manner that embodies the principles of the UNGC. Those principles are inherent in the way we do business. We continue to enhance and evolve our practices in the areas of Human Rights, Labour Principles, Environmental Principles and our Anti-Corruption ethos.

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The table below, which appeared in our 2010 Sustainability Report provides an overview of many of our practices and commitments that underpin our adherence to the fundamentals of the UNGC. Our Sustainability Reports are produced following GRI criteria for international sustainability reporting.

People	Planet	Profit
Build strength through purpose and diversity	Reduce greenhouse gas emissions and our energy footprint	Relentlessly focus on our customers
Grow and develop our people	Reduce solid wastes and improve water quality	Strive for profitable growth through innovation
Value human rights and create a healthy and safe workplace	Maintain and enhance High Conservation Values	Promote ethical practices, good governance and discipline in all that we do
Create a great place to live and work	Develop and apply best-in-class sustainable management practices	Build a sustainability system that directs and controls all business relationships and activities
Actively engage key stakeholders	Achieve and maintain key certifications	
Build community partnerships for mutual growth and success		

## 1. Human Rights Principles

**Principle 1:** *Businesses should support and respect the protection of internationally proclaimed human rights*

**Principle 2:** *Make sure that they are not complicit in human rights abuses*

### **Respecting Human Rights**

APRIL is committed to valuing and respecting human rights and we encourage adoption of internationally recognised human rights in all of our activities. We understand that respect for basic human rights is an integral part of being able to operate a successful and sustainable business.

This commitment was expressed in our most recent Sustainability Report published in September 2011 and remains true today.

Human and labour rights are also an integral part of company codes of conduct.

We fully comply with all laws in Indonesia and integrate the principles in international agreements such as the United Nations Universal Declaration of Human Rights and the International Labour Organisation's core conventions on human rights in to our management systems. We reference the principles of these international policies as a guide to our operations in any areas where local legislation is insufficiently clear.

Local people's land use rights are an important issue in areas of Indonesia in which we operate. In Indonesia ownership and land use is ultimately determined by the State. Where local communities have verified legitimate and legal ownership or claims to ownership of land we respect those rights in the manner in which we conduct business.

Rights to land in Indonesia can be complex to determine, and under Indonesian law, traditional or indigenous ownership of land is not necessarily recognized. We work hard to ensure that land disputes are avoided or resolved before we commence operations in our concessions. This is done through comprehensive mapping of lands, community engagement and social audits of the areas where we operate.

When disputes do occur, both the proper authorities and APRIL have dialogue-based methodologies for resolving those disputes. This can be a complex, controversial and time-consuming process for all parties but it is an important commitment by APRIL in the way it does business.

For APRIL, respecting human rights includes stringent best-practice in our labour relations (see next section under Labour Principles) and going beyond pure legal compliance to ensure that true community partnerships based on creating shared value are implemented.

### **Supporting education and entrepreneurialism**

APRIL believes that an essential element of meeting its human rights commitments includes providing opportunities for local community members to develop a better standard of living for the future. We therefore play a key role in enhancing education and small to medium enterprise (SME) business development in the areas where we operate.

APRIL strongly believes in the merits of a good education and continues to be a firm proponent of support of local education in its community engagement programme, covering:

- Scholarships
- Grants & Teacher training support
- Educational Infrastructure support

To date, APRIL has granted 2,737 student scholarships (2009-2011), with 132 scholarships (2009-2011) being given to tertiary students. In the past 3 years, a total of 150 teachers have been offered training. In terms of educational infrastructure support, APRIL has constructed and renovated 20 school buildings over the last two years, and provided 28 schools with furniture and equipment.

APRIL Indonesia launched the Small and Medium Enterprise (SME) development programme with the objective of providing aspiring entrepreneurs with our technical and financial expertise.

This programme supports a wide scope of businesses, comprising companies both inside and outside the forestry industry. Examples of businesses closely connected to our operations would be fibre plantation planting and maintenance teams, harvesting contractors and transport services.

Non-related SMEs receive vocational training in livelihood skills such as tailoring, honey production, carpentry and other relevant skills for their vocations.

APRIL Indonesia also acts as a guarantor to these entrepreneurs, helping them fund their businesses. In 2011, we extended our support to 172 local SMEs, compared to 98 in 2010. This directly helped to create 1,260 jobs employed directly by the SMEs in 2011.

### **Building community partnerships**

Community engagement is a critical responsibility of operating in a developing socio-economic context, but is also essential to the stability of our business. Our engagement programmes contribute directly to the development needs and objectives of local communities and Indonesia as a whole. We continuously adapt our community engagement approach to the specific needs and conditions within individual communities. We strive for broad support from within the communities where we operate following a consultative process as described and practiced by APRIL Indonesia through our standard operating

procedures.

We undertake intensive social audits and community consultation involving APRIL Indonesia, the community and third parties. Through the audits and consultation, we identify concerns and needs of the community and commit to operating principles and development contributions that ensure APRIL Indonesia and the local community can grow together. Consultation takes place with representatives appointed by the communities themselves and is enshrined through signed MOUs between APRIL Indonesia and those representatives.

APRIL's community tree farms are locally known as Hutan Tanaman Rakyat (HTR). Within its plantation areas, APRIL sets aside a section of land to engage communities, 'sharing' tree plantations and agricultural expertise with local farmers. For up to six years, we convey essential information about land clearing, seed planting and other such basic agronomic principles to our partners.

This ensures the productiveness of our community plantations, which also often results in maximum yield. It also allows APRIL to prepare and train the people in farming and harvesting, developing their understanding and skills in order to better manage their farms. APRIL does all this with a view to eventually handing the farms back to the communities.

The Integrated Farming System (IFS) is a key component of our community development strategy to improve the skills of community farmers and raise the income-generating opportunities of community farmer groups. It has three main focus areas:

- Train villagers in farming activities such as horticulture, vegetable farming, livestock rearing and husbandry, and freshwater aquaculture.
- Provide start-up investments, tools and materials.
- Provide technical and managerial guidance through APRIL Indonesia's Community Development field officers.

We currently manage two training centres that help to deliver technical and practical knowledge to local farmers. We have also donated two additional training centres to the local district governments to share our knowledge with the community.

Since its inception, the IFS programme has progressed from being involved in only 170 hectares in 1999 to almost 1,352 hectares of village farmland in 2011, benefiting 2,913 farmers.

In the past 3 years, a total of 453 farmers have received training and cultivated 3,602 hectares through our IFS programme and training centres.

We also work hand-in-hand with the community by empowering them to develop village cooperatives to manage the growing agro-forestry business, and prepare them for the socio-cultural adaptations as their standard of living improves.

### **Case study: Launch of blueprint for sustainable community development**

In October 2011, RAPP launched a new community development initiative with the principle of self-reliance at its core. Called the “Eco Village Development Program” (EVDP), it serves as a blueprint for a new approach to community development which APRIL believes can go on to change the lives of thousands in a long-term, sustainable way.

For almost two decades, APRIL has been leading community development programs in Riau, raising the quality of life in the communities it works with through projects such as the construction of village medical centres and roads. EVDP, however, places a greater emphasis on enabling self-reliance through the creation of long-term and sustainable economic activity with low environmental impacts and based on local resources. Just nine months after it was launched in the villages of Sering and Teluk Binjai, which are home to 2,800 people in 800 households, the EVDP now comprises a freshwater fish cultivation program, a thriving local handicraft business run by women’s groups, expansion of cattle farming businesses through animal husbandry training, and a successful compost fertilizer development program by farmers which has already gained commercial interest from a local oil palm company.

The success of the programme could see the eco village model extended to another 150 villages where RAPP community programmes are already in place. Teluk Binjai village head, Syamsuir, said: “RAPP’s programmes and presence have brought benefits to the village, especially in the empowerment of our people.”

## **2. Labour Principles**

***Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right of collective bargaining***

***Principle 4: The elimination of all forms of forced and compulsory labour***

***Principle 5: The effective abolition of child labour***

***Principle 6: The elimination of discrimination in respect of employment and occupation assessment, policies and goals***

### **Protecting Employee Rights**

APRIL Indonesia strictly adheres to national labour laws and our own codes of practice to ensure appropriate employment practices are implemented, including strict rules against the use of child or forced labour.

APRIL Indonesia respects the individual and collective rights of our employees to join labour and trade unions, and maintains collective bargaining agreements with trade and labour unions. In our latest Sustainability Report it was highlighted that 67.8% of our employees are members of trade unions.

Per collective labour agreements in place, significant differences and disputes are first settled between the worker, who is also the union member, and the Company superior. If unresolved at this level, it will be elevated to deliberation and resolution by a bipartite body comprising members of the Company and the union. If this fails, the worker may pursue the grievance with the local government authority (Department of Labour) through the union for mediation and resolution, in accordance with existing labour law and regulations. Examples of labour Issues include retrenchment, salary negotiation and payment of incentives.

### **Growing a diverse and inclusive workplace**

At APRIL Indonesia, we recognise the value of a diverse workforce across different ages, genders and nationalities. We are proud of the fact that we employ people from at least 16 nationalities in our operations.

We are committed to developing our local staff across the region for leadership positions. We disclosed in our 2010 Sustainability Report that approximately 69% of management positions in the company were held by locals. We expect our next Sustainability Report, scheduled for release in 2013 ,to show an increase in that proportion.

### **Improving health and safety in the workplace**

To achieve occupational, health and safety (OHS) as well as economic objectives, we follow the Occupational Health and Safety Assessment Series (OHSAS) 18001 Standards and implement an Occupational Safety and Health Management System (OSHMS). Our plantation forestry and mill operations are certified under OHSAS 18001.

APRIL Indonesia strives to be a responsible employer with workplace safety as its top priority. Our commitment to zero tolerance for unsafe behaviour has positively affected the quality of life for our employees and contractors. We have implemented more stringent preventive measures by employing a Hazard Identification, Risk Assessment and Determining Control (HIRADC) system in our OSHMS that will improve work planning, procedures and supervisory controls; worker training and awareness; and equipment requirements.

There is, of course, more work to be done in this area. Forestry involves intensive physical and mechanised work processes, often in remote areas. APRIL has thousands of employees and contract workers. Work-related injuries and even fatalities have occurred. APRIL continues to develop and implement new practices and comprehensive training that aim to reduce the incidence of such accidents and will continue to focus on this area as a priority.



### **Certification including labour rights requirements**

We are certified under *Origins and Legality of Timber* (OLB) which is externally verified by Bureau Veritas for our entire supply chain, and APRIL was the first industrial plantation company in Asia to do so. Certification required us to have adhered to the essential laws and regulations on employment and work, such as respecting the legal hiring age and allowing our staff the freedom to organise and negotiate their hiring in accordance with conventions 87 and 98 of the International Labour Organisation. It also required us to align the company's policy for health and work safety with legal and regulatory requirements, and develop it in open co-operation with workers. For example, our workers have access to appropriate individual protection equipment and we ensure that we possess the means to take care of any worker who suffer an industrial accident, regardless of their contract type.

### **Case study: RAPP's scholarship program and our steadfast commitment to employee development**

Every year, we sponsor about four employees for graduate studies overseas under the RAPP Master's Scholarship Programme, which aims to develop the best local talent to drive our business sustainability practices into the future.

RAPP's commitment to the programme - which has benefited a total of 24 employees to date - is a steadfast and unwavering one. For example, when three RAPP scholarship-holders studying at Thailand's Asian Institute of Technology (AIT) were left in the lurch after laboratories and equipment were damaged during last October's floods, the trio - who were already in their final semester - expected a premature end to their studies. But RAPP worked with AIT to find a university that could take in the scholars for their final months of studies. Fortunately, Canada's University of British Columbia (UBC) stepped up, and the trio arrived in Canada five months later to complete their Masters in Engineering research in the areas of wet-end chemistry, reduction of electrical power consumption in paper mills, and refining and dewatering.

"The chance to complete our research at UBC is a blessing, especially as Canada is one of the most advanced countries globally for pulp and paper, and UBC's R&D activity is amongst the best. We will definitely use our exposure to the most advanced thinking and practises in the field when we return to RAPP," said Mill Environment Officer and scholarship-holder Zulfauzein Nadra, Mill Environmental Officer, on behalf of his colleagues.

### **Case study: New logistics programme raises truckers' incomes while improving efficiency**

When the RAPP Transportation team was looking to improve the efficiency of its cargo delivery operations, it took care to consider the possible impact on the welfare of its 650 truckers as it shaped a solution. The result: A new logistics efficiency system designed to create shared value for both the company and employees.

The new system does away with the old compensation system which paid drivers a fixed monthly salary irrespective of the successful completion of assigned trips or timeliness of deliveries according to schedule. Recognising the critical relationship between reward and results, the RAPP Transportation team implemented a radical pilot program built around a 'payment-per-trip' system with additional performance bonuses for efficiency coupled with a monthly wage. To instil accountability and responsibility, the drivers' standardised 12-hour shifts were also replaced with a 'flexi-time' approach which saw drivers grouped in teams to self-manage their assigned deliveries, assisted by a central dispatcher. On top of that, the drivers were given additional technical and soft skills training to help them grow into their new roles.

The results of the program were dramatic, and surprised even the RAPP Transportation team itself. On-time cargo deliveries increased by 30%, even as RAPP drivers saw wages rise by up to 30%. Safety conditions improved dramatically, as evidenced by a 50% drop in monthly incident rates. Monthly driver resignation rates went on to fall by 80%, a significant result given the traditionally high turnover rate of this segment of employees.

### **3. Environmental Principles**

***Principle 7: Businesses should support a precautionary approach to environmental Challenges***

***Principle 8: Undertake initiatives to promote greater environmental responsibility***

***Principle 9: Encourage the development and diffusion of environmentally friendly technologies***

APRIL Indonesia believes that developing a thriving plantation-based business and contributing to the sustainable management of the environment are not mutually exclusive goals. Through responsible and active forest management, APRIL Indonesia pledges a long-term commitment to manage our forest resources sustainably; a challenge considering the trends of forest degradation, illegal logging, encroachment and expansion of agricultural land-use in Indonesia.

The regulatory environment for pulp and paper and forestry operations in Indonesia is comprehensive and APRIL's management systems are configured to meet or exceed compliance with all government requirements.

Approximately half of the forest lands licensed to APRIL Indonesia are used to establish our fibre plantations where we cultivate a variety of fast-growing plantation trees that include Acacia, Eucalyptus and Melaleuca species. The balance of our lands are conserved as natural forest or allocated to community livelihood plantations and infrastructure that benefits both our operations and the local communities where we operate.

Managing this large and diverse land area requires balancing the complex social, environmental and economic values that each stakeholder places on the natural resources contained within the area. We have developed a diligent process that involves consistent

engagement with many stakeholders including government, non-governmental organisations (NGOs) and the local communities to jointly identify issues, develop positive solutions and implement collaborative actions.

We work with or participate in:

- ◆ National, provincial and local government authorities to receive licenses and operational permits in compliance with all forestry and environmental regulations.
- ◆ Local communities to build mutually beneficial partnerships that empower the communities to generate income and provide basic needs such as clean water, education and community infrastructure.
- ◆ Leading organisations that promote sustainable forest management and supply chains, addressing the important forestry and social issues of our industry. These include Fire Management Actions Alliance under the Food and Agriculture Organisation of the United Nations, HCV Resource Network, The Forests Dialogue, United Nations Global Compact, the World Business Council for Sustainable Development (WBCSD), as well founding member of the Indonesia Business Council for Sustainable Development (IBCSD) launched in 2011.

### **Plantation management**

We demonstrate our commitment to the long-term management and productivity of the land within our concessions through aggressive planting and re-planting programmes. By maximising the yield from each planted hectare, we optimise the productivity of our land and ensure our plantations contribute to the management of carbon emissions. In 2011, APRIL planted 112 million trees.

Our Tree Improvement Programme deploys high-yield seedlings from three central nurseries that, in combination with our satellite nurseries, have capacity to produce over 200 million seedlings per year. Through this programme, we have seen continued improvement during each rotation. Based on the mean annual growth rate of acacia species, we are now capable of growing more than 7% more wood per hectare per year than when we began our fibre plantation programme in 1994.

APRIL's central nurseries in Indonesia supply enough trees to ensure that every hectare of our land is effectively replanted within 30 days of being harvested, with the best available planting material.

Key tree species on our Indonesia fibre plantations include varieties of *Acacia mangium*, *Acacia crassicarpa*, *Eucalyptus* and *Maleleuca*. They are placed in specific locations based on factors such as soil type, water availability and pest resistance. As such, tree survival and growth rates are fully maximised for each plantation, leading to the highest possible returns on potential fibre yields.

We customise the fertilisers, to ensure early survival of trees and the rapid growth to maturation. Personalised application of this fertiliser is done for each individual tree, minimising unwanted effects on the surrounding environment. A planned and stringent series of plantation maintenance activities have resulted in 95% tree survival after the first year.

### **Forest fire management**

Threats of fire are mainly present at specific times of the year in Indonesia. Although our operations are located in a moist, tropical climate zone, the vegetation is susceptible to fire during the two annual dry periods. During these dry periods, some local farmers use “slash-and-burn” techniques to clear forest and shrub lands for conversion to agricultural crops. These “slash-and-burn” methods are the primary cause of smoke and haze which periodically affects the Southeast Asian region.

APRIL Indonesia has clear policies and has made specific investments to protect our concession areas from such fires, implementing our “No-Burn” policy in 1994, also collaborating with local forestry and law enforcement authorities to educate communities on the illegality and environmental impacts of fire use, and the effects of smoke and haze on human health. APRIL is also a founding member of the Fire Management Actions Alliance of the Food and Agriculture Organisation (FAO), under the United Nations.

### **Integrating high conservation values into our land-use planning**

The protection of Sumatran forests is critical to maintain the conservation of native biodiversity as well as native cultural heritage. APRIL’s concessions include about 190,000 hectares of managed conservation forests within Riau Province in Indonesia, contributing an additional one third to the Province’s state-managed conservation forests.

Since 2005, APRIL has adopted a voluntary High Conservation Value Policy. Under this commitment, we have conducted High Conservation Value (HCV) assessments for each new concession area based on the *Toolkit for Identification of High Conservation Values in Indonesia (2009)*. To date, we have conducted 36 assessment both across APRIL and supply partner concessions.

These assessments identify and delineate exceptionally important biodiversity values, ecosystem services and social or cultural values and recommend management and monitoring activities to guarantee these values will be maintained and enhanced. We incorporate the findings of HCV Assessment into our land use planning process and ensure that our fibre plantation development is undertaken in a manner that will maintain high conservation values.

APRIL Indonesia finds added value in the HCV concept as a planning tool that takes the “precautionary approach” to land development by identifying and delineating additional values that may result in conserving more natural forests. The guidance and recommendations from HCV experts enable our planners and managers to implement best practices and achieve sustainable wood production through a rational balance between

environmental conservation, social concerns and economic development. The HCV approach in Indonesia acknowledges that one or more forms of active management can be undertaken to ensure the maintenance or enhancement of one or more high conservation values in an area.

As HCV assessment methodology and practice evolve, we have tried to keep pace with this change and understand that many of our stakeholders have genuine concerns about ensuring the proper application of HCV assessments where conversion of natural forests occurs. These concerns include acknowledgment of customary or legal rights of indigenous communities; science-based definitions and delineation of HCV forests or management areas; stakeholder consultation; land-use plan development; and quality control of HCV documents.

APRIL Indonesia works directly with leading HCV experts in Indonesia and through the global HCV Resource Network to develop various approaches in applying the HCV process for a fibre plantation context in Indonesia. We continue our efforts to seek common interpretation and share knowledge by participating in regional and global HCV forums, developing internal capacities and engaging partners to meet the challenges of applying HCV process.

### **Responsible peatland management**

A majority of our plantations in Riau, Indonesia, are located on tropical peatland.

To manage a peatland fibre plantation responsibly, carbon emissions and fire must be mitigated by maintaining water at high levels near the peat surface.

Based on research in conjunction with expert consultants and international universities over the last decade, APRIL has developed and implemented a comprehensive peatland management system, including the management of water levels in our concessions.

That system includes peatlands being managed at the landscape level, leaving central peat domes and river basins intact and buffering them against drainage impacts. We are now using “hydro-buffers” between our fibre plantations and conservation areas. Through the buffer zones and efficient placement of water control structures in our plantations, we are able to maintain and improve water levels, thereby minimising peat subsidence, fire and carbon emissions.

As disclosed in our 2010 Sustainability Report, prior to 2007 average water levels in our plantations were more than 120 cm below the peat surface. Today, we have improved plantation water levels and raised them to between 40 cm to 90 cm below the peat surface.

By integrating natural forest “hydro-buffers” into our landscape planning, we now manage water in our conservation forest to follow the natural seasonal changes that occur in the tropics. Effective water management reduces the rate of peat subsidence, reduces peat degradation which translates to lower carbon emissions, and improves the productivity and longevity of the fibre plantations and natural forest conservation areas.

APRIL Indonesia is actively monitoring carbon dioxide (CO<sub>2</sub>) emissions from our peatland concessions as part of a broader effort to understand our carbon footprint. Emerging expertise and key results in this new field of research are shared with other leading research institutions.

In 2010, APRIL Indonesia hosted visiting scientists from University of Tokyo and Hokkaido University for technical exchange on the monitoring of greenhouse gas (GHG) emissions from peat soils.

APRIL is also the pilot participant in a Monitoring, Reporting and Verification (MRV) study by the Indonesian government, where a panel of third party experts and scientists have been measuring 19 leading landscape and environmental indicators across our Kampar concessions on a bi-annual basis since 2010. In addition to informing future initiatives by APRIL, the Government intendeds that the results of the MRV study will help set standards that other plantation companies will adopt for future effective management of peatlands.

### **Renewable energy & cleaner production processes**

APRIL Indonesia has made significant strides in ongoing efforts to reduce energy usage and effluent emissions and to optimise the use of water and other resources.

The initiatives include:

*Natural gas* - In 2011, APRIL Indonesia made a 100% shift to using natural gas to fire its lime kilns, shifting away from the use of less-clean burning fuels, bringing about a decrease in particulate, SOX, TRS (Total Reduced Sulphur) and CO<sub>2</sub>.

*Renewable biomass sources* - In 2011, we generated 94% of our energy from renewable biomass sources such as bark, black liquor, palm shell and bio-sludge. The efficient use of all raw materials in our pulp and paper mills is of paramount importance to prevent waste.

*Bio-fuels* - The use of bio-fuels such as black liquor, bio-sludge, palm shell and methanol also reduces the amount of fossil fuel used. The steam generated from the mill from the use of bio-fuels in the recovery boilers went up from 71% in 2010 to 94% in 2011. Bio-fuels have low sulphur content, and hence account for decreasing levels of total reduced sulphur.

*Water consumption* - Our operations continued using TrumpJet™ in the paper mill, which reduces water consumption by more than 1,000 m<sup>3</sup> per day. TrumpJet™ retention aid mixing systems reduce the volume of heated clean water required for the production process. In doing so, approximately 1,075 kW of energy was saved per day, equivalent to the amount of energy used to heat up the water from 28°C to 50°C.

*Effluent levels* - We continue to make a concerted effort to reduce the level of effluents discharged as a result of our production processes, by installing efficient water treatment systems within our mills to clean waste water. Effluents from our mills are also treated

extensively by tertiary decolouring. Our waste water treatment plants ensure that the quality of the water discharged from our mills meets all national regulatory requirements.

Over 95% of contaminants are removed from discharged waste water, to ensure that it is clean and safe for use further downstream. On a regular and continuous basis, we monitor water effluents from our mills to track levels of Biological Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Absorbable Organic Halides (AOX) and Total Suspended Solids (TSS).

*Processes to reduce carbon emissions* - Reducing our carbon emissions is a priority for APRIL Indonesia. In 2011, our electricity usage per tonne of paper produced was at 0.676 MW per hour beating the 2010 best achieved figure of 0.687 MW per hour and achieving an energy saving of 1.6%.

*Bio-fuel methanol plant* - APRIL Indonesia's methanol recovery process uses new technology to 'strip', condense and liquefy methane from the waste vapour created in the pulping processes. As a greenhouse gas, methane is 22 times more problematic than CO<sub>2</sub>. The methanol recovery process recovers approximately 45 tonnes of liquid methanol per day. Liquefied methanol is used as a fuel and offsets approximately 22.5 tonnes of the mill's heavy oil requirement per day in the lime kilns to burn the limestone to produce calcium carbonate for papermaking.

### **Certification**

Certification is part of APRIL's commitment to continuous improvement and product and process assurance for stakeholders. We hold a diverse portfolio of national and international certifications that provide end-to-end assurance on the efficiency, quality legality and sustainability of our entire supply chain.

Since 2010, APRIL's production facilities have been certified under *Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody* standards, ensuring that all raw materials coming into the mill are from non-controversial sources.

In 2011, APRIL successfully gained certification under Bureau Veritas' standards for *Origins and Legality of Timber (OLB)*. This speaks to our compliance with the national laws and regulations concerning timber legality, which includes the environment, such as the control and management of the hydrocarbons and chemical waste from our operations. All APRIL-owned plantations are also certified for Sustainable Plantation Forest Management (SPFM) under the Indonesian Ecolabel Institute's (LEI) standards.

In 2012, APRIL successfully passed audits for Sustainable Production Forest Management and Timber Legality Verification (PHPL/SVLK) standards, a certification jointly developed by the Indonesian Ministry of Forestry and the European Union (EU) to meet EU's Forest Law Enforcement, Governance and Trade (FLEGT) requirements for timber legality.

### **Case study: APRIL shares experience on sustainable development at Rio +20**

APRIL's presence was evident and its voice heard at the Rio+20 Summit in Brazil in June 2012. Indonesia was one of the few nations that hosted a pavilion, and it did so with

support from us and other companies as a collective demonstration of the country's commitment to sustainable development. The pavilion hosted ten days of presentations and panel discussions on critical issues with speakers from various ministries, think-tanks and the private sector. Indonesian President Susilo Bambang Yudhoyono also visited the pavilion.

Mr Kusnan Rahmin, President Director of APRIL subsidiary RAPP, also presented in two sessions focused on sustainable forestry management and community development respectively. In the first session, Kusnan, alongside speakers from Indonesia's Ministry of Forestry and the Association of Indonesian Forest Concessionaires, spoke about how the key to the national industry's future lies in being able to sustainably meet global demand for fibre. Kusnan shared that Indonesia had a real opportunity to lead the global pulp and paper industry based on competitive advantages of fast tree growth rates, land availability, cost of production, and its commitment to investing in technology. In his second presentation, Kusnan joined speakers from Indonesia's Ministry of Agriculture and Ministry of Education and Culture in discussing community development and poverty alleviation. Kusnan made the case that since poverty is a major driver of unsustainable land use like illegal logging and slash-and-burn land clearing, responsible forestry as an economic driver had a significant role to play in poverty alleviation. RAPP, for example, now accounted for 6.9% of Riau's economic output and 5.4% of all household income in the province.

APRIL's participation at Rio +20 built on the earlier role that it played at the United Nations Framework Convention on Climate Change (UNFCCC) meeting in Durban, South Africa last December.

### **Case study: APRIL's active engagement and education outreach in Asia**

Besides participating in global events such as Rio +20, APRIL plays an active role in advancing the understanding of sustainable development at many dialogues and forums closer to home.

ASEAN peatland forum, June 2012 - APRIL was among the presenters at a two-day forum on "Enhancing Sustainability of Forestry Practices on Peatlands" held in Bogor, Indonesia. Organised by the Global Environment Centre, ASEAN Secretariat and Indonesia's Ministry of the Environment, the forum was held as part of the ASEAN Peatland Forest project (APFP) and the SEApeat (Sustainable Management of Peatland Forests in Southeast Asia Project). Dr. John L. Bathgate, Lowlands Development Manager at RAPP, shared with an audience of over 100 participants from six ASEAN countries on how already-converted areas and degraded peatland in Riau could best be managed to balance the province's economic and environmental agendas, while parallel conservation efforts should focus on protecting peatlands that were still in good condition. He explained how APRIL's model had evolved over the last 20 years and is today focused on the use of multiple buffer zones to protect 'core' peat dome areas, the conservation of key forest areas and the use of water management to maintain or improve water levels on peatlands. He also talked about the stark alternatives to professional forestry management, where unchecked illegal logging and slash-and-burn farming practices would result in further peatland destruction.

Dialogue on pulp and paper industry policy, June 2012 - APRIL representatives were among about 50 people who participated in a multi-lateral dialogue in Jakarta, focusing on policies



that will shape the pulp and paper industry in Indonesia going forward. The dialogue was hosted by the Indonesia Chamber of Commerce (KADIN), the Indonesia Business Council for Sustainable Development (IBCSD) and the German Society for International Co-operation (GIZ). The dialogue brought together groups with constructive policy views on the environment and climate change, focused on the role of different parties in supporting the pulp and paper sector's formulation of policies and actions that would support Indonesia's climate change mitigation goals.

World Business Council for Sustainable Development's (WBCSD) Vision 2050 - APRIL has thrown its full support behind the 'Vision 2050' initiative of the World Business Council for Sustainable Development (WBCSD) – and the role its new Indonesian counterpart can play. APRIL has been a member of the peer-invited WBCSD since 2006 and in 2011 was a founding member of the new Indonesian Business Council for Sustainable Development (IBCSD).

Regular hosting of scientists and students conducting peatland research - As part of RAPP's research and development work into peatland management, the company regularly hosts visits from the scientific community. In February 2012, Prof Toshihide Nagano, a renowned Japanese peatland expert from Utsunomiya University, visited RAPP's concessions in Meranti, Riau to observe its water management system – and left hailing the company's peatland management practices as among the best he has seen in his 30 years in the field. Last year, RAPP also hosted a multinational delegation of scientists, graduate and post-graduate students as part of the "Wise use of tropical peatland" Programme" funded predominantly by the Japanese government.

#### **4. Anti-Corruption Principles**

***Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery***

##### **Ethical Business Practices**

APRIL Indonesia has committed to adhering to and meeting all legal and regulatory requirements and not breaching any legal or regulatory code in the conduct of its business.

APRIL Indonesia upholds a strict code of corporate governance and business ethics, standards by which all employees are contractually bound to abide. These guidelines include provisions for fair and non-discriminatory engagement with stakeholders, avoidance of conflicts of interest, and intolerance of corrupt practices.

At APRIL Indonesia, all contractors and suppliers are expected to comply with the same culture of business ethics as our employees. Enforcement is ensured through a combination of routine and random audits, and through a comprehensive annual review of employee performance.

Active reinforcement of compliance is conducted through regular communication and training of staff. The company has established an anti-fraud policy to enforce controls and to aid in

the prevention and detection of fraud, theft or abuse against the company. Employees are encouraged to report any misconduct or malpractice they become aware of via confidential hotline or email.

APRIL Indonesia also expects and encourages its business partners to apply best-practice governance and anti corruption measures in their practices and regularly works with business partners to ensure compliance. Where any breaches are alleged to have occurred, APRIL takes the matter seriously and conducts its own investigations in addition to full cooperation with any proper authority investigating the matters.

APRIL is also committed to a corporate governance structure with clear internal control systems, reporting and responsibility lines and procedures that encourage full compliance with company standards and legal and regulatory requirements.

The Board of the company has established and the company has implemented clear authorization limits and processes that guide all procurement of goods and services, new investments and divestments so that internal audit and scrutiny can determine if all company procedures of good governance and legal compliance have been followed.

Many aspects of the company's operations and compliance with internal, legal and regulatory requirements are subject to regular external audit with the results provided to the company's Board.

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